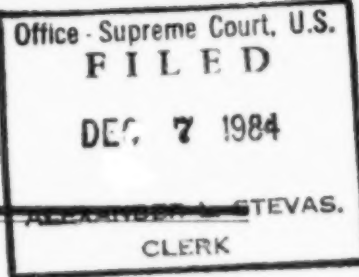


No. 84-589



**In the Supreme Court of the United States**

OCTOBER TERM, 1984

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PAUL EDMOND DOWLING, PETITIONER

v.

UNITED STATES OF AMERICA

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ON PETITION FOR A WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT

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**BRIEF FOR THE UNITED STATES IN OPPOSITION**

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17/12/84

## QUESTIONS PRESENTED

1. Whether petitioner's distribution of unauthorized reproductions of copyrighted sound recordings could form the basis for charges of interstate transportation of stolen property, in violation of 18 U.S.C. 2314, and mail fraud, in violation of 18 U.S.C. 1341.

2. Whether petitioner's intentional nondisclosure of his manufacture and distribution of copyrighted material, in breach of an explicit statutory duty to notify the copyright holder of those activities, could form the basis of a scheme to defraud under 18 U.S.C. 1341.

## TABLE OF CONTENTS

	Page
Opinion below .....	1
Jurisdiction .....	1
Statement .....	1
Argument .....	5
Conclusion .....	12

## TABLE OF AUTHORITIES

### Cases:

<i>Parr v. United States</i> , 363 U.S. 370 .....	10
<i>Pereira v. United States</i> , 347 U.S. 1 .....	9
<i>Sony Corp. v. Universal City Studios, Inc.</i> , No. 81-1687 (Jan. 17, 1984) .....	8, 9
<i>United States v. Atherton</i> , 561 F.2d 747 .....	7
<i>United States v. Belmont</i> , 715 F.2d 459, cert. denied, No. 83-769 (Feb. 21, 1984) and No. 83-1445 (May 29, 1984) .....	4, 5, 6, 7
<i>United States v. Berkowitz</i> , 619 F.2d 649 .....	7
<i>United States v. Bottone</i> , 365 F.2d 389, cert. denied, 385 U.S. 974 .....	7
<i>United States v. Brewer</i> , 528 F.2d 492 .....	9, 10, 11, 12
<i>United States v. Carman</i> , 577 F.2d 556 .....	9
<i>United States v. DeFiore</i> , 720 F.2d 757, cert. denied, No. 83-5847 (Mar. 26, 1984) .....	10, 11, 12
<i>United States v. Drebin</i> , 557 F.2d 1316, cert. denied, 436 U.S. 904 .....	7
<i>United States v. Drum</i> , 733 F.2d 1503, cert. denied, Nos. 84-328, 84-5163, 84-5219, and 84-5319 (Nov. 26, 1984) .....	5, 6-7
<i>United States v. Flaxman</i> , 495 F.2d 344, cert. denied, 419 U.S. 1031 .....	11
<i>United States v. Gallant</i> , 570 F. Supp. 303 .....	7, 9, 11, 12
<i>United States v. Gottesman</i> , 685 F.2d 1387, cert. denied, 460 U.S. 1014 .....	5-6, 7
<i>United States v. Gottesman</i> , 724 F.2d 1517 .....	7, 8

IV

Cases—Continued:

Page

<i>United States v. Melvin</i> , 544 F.2d 767, cert. denied, 430 U.S. 910 .....	11
<i>United States v. Mirabile</i> , 503 F.2d 1065, cert. de- nied, 420 U.S. 973 .....	11
<i>United States v. Sam Goody, Inc.</i> , 506 F. Supp. 380..	7
<i>United States v. Smith</i> , 686 F.2d 234 .....	5, 6, 7
<i>United States v. Whetzel</i> , 589 F.2d 707 .....	7
<i>Wisniewski v. United States</i> , 353 U.S. 901 .....	9

Statutes:

Copyright Act, 17 U.S.C. 101 *et seq.*:

17 U.S.C. 115 .....	4-5, 9, 11
17 U.S.C. 506 (a) .....	2, 4, 8
Jenkins Act, 15 U.S.C. 376 .....	10
Piracy and Counterfeiting Amendments Act of 1982, Pub. L. No. 97-180, 96 Stat. 91 <i>et seq.</i> (codified at 17 U.S.C. 506 (a) and 18 U.S.C. 2318, 2319) .....	8
18 U.S.C. 2319 .....	4
18 U.S.C. 2319 (a) .....	8
18 U.S.C. 371 .....	2
18 U.S.C. 1341 .....	2, 4, 5, 9, 10, 11
18 U.S.C. 2314 .....	2, 5, 6, 7, 8

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BRIEF FOR THE UNITED STATES IN OPPOSITION

OPINION BELOW

The opinion of the court of appeals (Pet. App. A1-A12) is reported at 739 F.2d 1445.

JURISDICTION

The judgment of the court of appeals was entered on August 10, 1984. The petition for a writ of certiorari was filed on October 9, 1984. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

Following a bench trial in the United States District Court for the Central District of California, petitioner was convicted on one count of conspiracy to transport stolen property in interstate commerce, in

(1)

violation of 18 U.S.C. 371 (Count One); eight counts of interstate transportation of stolen property, in violation of 18 U.S.C. 2314 (Counts Two through Nine); nine counts of copyright infringement, in violation of 17 U.S.C. 506(a) (Counts Ten through 18); and three counts of mail fraud, in violation of 18 U.S.C. 1341 (Counts 25 through 27) (Pet. App. A3, A4 n.6).<sup>1</sup> Petitioner was sentenced to a one-year term of imprisonment on one of the copyright infringement counts (Count Ten). In addition, he was sentenced to three concurrent six-month terms of imprisonment on the mail fraud counts, to run consecutively to the sentence on Count Ten. The sentences on all other counts were suspended in favor of five years' probation following the term of imprisonment, on condition that petitioner perform 1,500 hours of community service. Petitioner was also fined \$5,000. *Id.* at A4.

1. The evidence showed that petitioner and his co-defendants successfully conspired to obtain recordings of Elvis Presley vocal performances and, without the consent of the copyright owners, to manufacture and distribute copies of those recordings.<sup>2</sup> Beginning in about 1976, petitioner and co-defendant Theaker began manufacturing and distributing "bootleg" Elvis Presley phonorecords—*i.e.*, phonorecords made without the consent of the copyright proprietors or RCA

<sup>1</sup> Petitioner's case was severed from that of his co-defendants (Pet. App. A4). Co-defendant Theaker pleaded guilty to six counts of the indictment, and co-defendant Minor was convicted on all charges following a separate trial.

<sup>2</sup> The case was tried on a stipulated record, including testimony of 29 witnesses and 950 government exhibits. Petitioner testified on his own behalf and cross-examined two of the 29 witnesses.

Records (Pet. App. A2).<sup>3</sup> Petitioner and Theaker manufactured these records from soundtracks of Presley motion pictures, tapes of Presley television and concert appearances, and studio outtakes (*ibid.*).<sup>4</sup> The tapes and at least one studio outtake were obtained by assuring the owner that they were for personal use only (*ibid.*).

During 1979 and 1980, at petitioner's request, Send Service, a labeling and mailing service, mailed catalogs listing the bootleg records to petitioner's customers throughout the United States. Theaker collected the customers' orders through post office boxes in Glendale, California, and Los Angeles. He then sent the orders to petitioner, who mailed the bootleg records to customers from Maryland. Pet. App. A2.

The business petitioner and Theaker operated was massive in scope. For example, at petitioner's request, Send Service mailed over 50,000 catalogs during 1979 (Pet. App. A2). Each week during 1979-1980, petitioner mailed hundreds of packages, ranging from one-record mailings to packages weighing 20 to 30 pounds each. Petitioner's postal bills were at least \$1,000 per week. *Ibid.*

<sup>3</sup> During most of his professional career, Elvis Presley was under contract to RCA Records. No Elvis Presley recordings could be released publicly without the authorization of RCA and the copyright proprietors of the songs Presley performed. Deary Stiptest. 22 ("Stiptest." refers to the stipulated testimony submitted to the trial court.). The copyrights for those songs are held by various publishing companies, including Elvis Presley Music, Inc., and Gladys Music, Inc. The soundtracks of Elvis Presley's movies are protected by audiovisual or motion picture copyrights. *Id.* at 111 *et seq.*

<sup>4</sup> "Outtakes" are portions of tapes not used in the original edited broadcast (Pet. App. A2 n.1).

Petitioner knew that Elvis Presley was under exclusive contract with RCA, that the material he and his co-conspirators were reproducing was copyrighted, and that manufacture and distribution of the bootleg records were illegal (Anderson Stiptest. 3, 5). In order to avoid detection by copyright holders, the FBI, and the public, petitioner and Theaker took steps to conceal the illegality of their conduct (Pet. App. A2; Anderson Stiptest. 3, 5-7, 17; Deary Stiptest. 30, 43).

2. The court of appeals affirmed petitioner's convictions (Pet. App. A1-A12). The court relied on its decision in *United States v. Belmont*, 715 F.2d 459 (9th Cir. 1983), cert. denied, No. 83-769 (Feb. 21, 1984) and No. 83-1445 (May 29, 1984), in rejecting petitioner's argument that the government was limited to prosecuting him under the Copyright Act, 17 U.S.C. 506(a), and was therefore barred from prosecuting him for mail fraud and for interstate transportation of stolen property in connection with his bootleg record operation (Pet. App. A5-A6, A10-A11). The court concluded that the Piracy and Counterfeiting Amendments Act of 1982, 18 U.S.C. 2319, which explicitly provides that its penalties do not preclude those of the Copyright Act "or any other law," indicated that Congress did not intend the Copyright Act to constitute the exclusive remedy for activity involving copyright infringement (Pet. App. A6).

The court of appeals also held that, for purposes of 18 U.S.C. 1341, a scheme to defraud may be premised not only on nondisclosure in breach of a fiduciary duty, but also on nondisclosure in violation of an independent explicit statutory duty (Pet. App. A6-A7). Since petitioner conceded that the Copyright Act, 17

U.S.C. 115, created a statutory duty to report to RCA his intent to manufacture and distribute Elvis Presley recordings, the court concluded that petitioner's breach of that duty could form the basis for a scheme to defraud under 18 U.S.C. 1341 (Pet. App. A8).<sup>5</sup>

#### ARGUMENT

1. Petitioner contends (Pet. 6-20) that the court of appeals erred in holding that conduct that involves copyright infringement may constitute violations of 18 U.S.C. 1341 and 18 U.S.C. 2314. He urges that the decision below conflicts with the Fifth Circuit's decision in *United States v. Smith*, 686 F.2d 234 (1982). In fact, there is no irreconcilable conflict between *Smith* and this case. Moreover, this Court previously has denied petitions for a writ of certiorari that have presented similar claims. See *Cooper v. United States*, cert. denied, No. 84-328 (Nov. 26, 1984) (White, J., dissenting); *McCulloch v. United States*, cert. denied, No. 84-5163 (Nov. 26, 1984) (White, J., dissenting); *McKinney v. United States*, cert. denied, No. 84-5219 (Nov. 26, 1984) (White, J., dissenting); *Lockamy v. United States*, cert. denied, No. 84-5319 (Nov. 26, 1984) (White, J., dissenting); *Hampshire v. United States*, cert. denied, No. 83-1445 (May 29, 1984); *Belmont v. United States*, cert. denied, No. 83-769 (Feb. 21, 1984); *Gottesman v. United States*, cert. denied, 460 U.S.

<sup>5</sup> The court of appeals also rejected petitioner's contentions that mailings of the catalogs were not in furtherance of the mail fraud scheme (Pet. App. A9-A10) and that the testimony of an RCA employee should not have been admitted under the co-conspirator exception to the hearsay rule (*id.* at A10-A11).

1014 (1983). This case does not present any new reason that would call for a different result.<sup>6</sup>

This case presents a different factual situation from that in *Smith*. In *Smith* the defendant had videotaped television programs "off the air" (i.e., from broadcast signals) and had produced and leased multiple copies of the videotaped material. The court held that such conduct did not constitute interstate transportation of stolen property in violation of 18 U.S.C. 2314, since, in the court's view, a copyright could not constitute "goods, wares, [or] merchandise" and copyright infringement could not be regarded as the equivalent of stealing, converting, or taking by fraud within the meaning of the statute (686 F.2d at 241 (footnote omitted)).

Here, in contrast, there were initial unauthorized or fraudulent takings of tangible items (the tapes of motion picture soundtracks, television and concert appearances, and studio outtakes) from their owners and a transfer of information from those tangible items to others (the bootleg phonorecords). See page 3, *supra*. The court in *Smith* acknowledged that such a situation would be distinguishable from the case before it. See 686 F.2d at 243-244 n.17. Thus, whatever the merits of *Smith*,<sup>7</sup> there is no irreconcil-

<sup>6</sup> We refer the Court to our briefs in opposition in *Cooper*, *Hampshire*, *Belmont* and *Gottesman* for discussions of why review of this issue is not warranted. We are providing petitioner's counsel with copies of those briefs.

<sup>7</sup> The court in *Smith* relied in large part on rigid, and in some cases archaic, dictionary definitions of the terms used in Section 2314. See 686 F.2d at 239-242.

Before the decision in this case, both the Eleventh Circuit and the court below had expressly rejected the conclusion reached in *Smith*. See *United States v. Drum*, 733 F.2d 1503,

able conflict between *Smith* and the present case.<sup>8</sup>

Petitioner cites *Smith* for the proposition that Congress intended the copyright laws to be the sole source of penalties for activities involving copyright infringement. In fact, nothing in the legislative his-

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1505-1506 (11th Cir. 1984), cert. denied, Nos. 84-328, 84-5163, 84-5219, and 84-5319 (Nov. 26, 1984); *United States v. Gottesman*, 724 F.2d 1517, 1519-1521 (11th Cir. 1984) (citing *United States v. Gottesman*, 685 F.2d 1387 (11th Cir. 1982) (Table), cert. denied, 460 U.S. 1014 (1983)); *United States v. Belmont*, 715 F.2d 459, 461-462 (9th Cir. 1983), cert. denied, No. 83-769 (Feb. 21, 1984) and No. 83-1445 (May 29, 1984). See also *United States v. Gallant*, 570 F. Supp. 303, 310-314 (S.D.N.Y. 1983). And prior to the decision in *Smith* other courts had concluded that transportation of copyright infringing materials could form the basis for charging a violation of Section 2314. See *United States v. Berkowitz*, 619 F.2d 649, 656-658 (7th Cir. 1980); *United States v. Whetzel*, 589 F.2d 707, 710 n.10 (D.C. Cir. 1978); *United States v. Atherton*, 561 F.2d 747, 752 (9th Cir. 1977); *United States v. Drebin*, 557 F.2d 1316, 1332 (9th Cir. 1977), cert. denied, 436 U.S. 904 (1978); *United States v. Sam Goody, Inc.*, 506 F. Supp. 380, 385-391 (E.D.N.Y. 1981).

<sup>8</sup> The transfer of information from one tangible item to another does not remove petitioner's actions from the scope of Section 2314. In *United States v. Bottone*, 365 F.2d 389 (2d Cir.), cert. denied, 385 U.S. 974 (1966), documents had been removed from a company's files, copied, and returned to the files. Judge Friendly, writing for the court, rejected the argument that interstate transportation of the copies would not constitute a violation of Section 2314 on the theory that the copies would not be "goods" that were "stolen, converted or taken by fraud." He stated that "when the physical form of the stolen goods is secondary in every respect to the matter recorded in them, the transformation of the information in the stolen papers into a tangible object never possessed by the original owner should be deemed immaterial" (365 F.2d at 393-394).

tory of the Copyright Act indicates that Congress intended 17 U.S.C. 506(a) to displace either Section 2314 or the mail fraud statute to the extent the latter statutes otherwise reached activities involving copyright infringement. Moreover, a provision of the 1982 amendments to the Copyright Act, 18 U.S.C. 2319(a), makes clear that penalties under the copyright statutes are not exclusive:

Whoever violates [17 U.S.C. 506(a)] shall be punished as provided in subsection (b) of this section and such penalties shall be in addition to any other provisions of title 17 or any other law.

See *United States v. Gottesman*, 724 F.2d 1517, 1520-1521 (11th Cir. 1984).

In any event, application of Section 2314 and the mail fraud statute to the sort of conduct involved in this case is of considerably diminished significance since passage, subsequent to the offenses involved in this case, of the Piracy and Counterfeiting Amendments Act of 1982, Pub. L. No. 97-180, 96 Stat. 91 *et seq.* (codified at 17 U.S.C. 506(a) and 18 U.S.C. 2318, 2319). The new statute provides for felony treatment for most serious cases of copyright infringement involving sound recordings and audiovisual materials and trafficking in counterfeit labels, while prior law provided only for misdemeanor treatment for first offenses under the copyright statutes. In view of the increased penalties provided under the new statute, prosecutors are likely to have less occasion to invoke other criminal statutes in connection with copyright infringing activity.<sup>9</sup>

<sup>9</sup> Petitioner contends also (Pet. 18-20) that the decision below is at odds with *Sony Corp. v. Universal City Studios, Inc.*, No. 81-1687 (Jan. 17, 1984). The court of appeals

2. Petitioner also challenges (Pet. 20-25) the court of appeals' conclusion that his failure to disclose his manufacture and distribution of bootleg recordings to the copyright holders, in violation of 17 U.S.C. 115,<sup>10</sup> could form the basis for finding a violation of 18 U.S.C. 1341. He contends that the court's holding that breach of an explicit statutory duty may form the basis for a scheme to defraud exceeds the intent of Congress and conflicts with *United States v. Brewer*, 528 F.2d 492 (4th Cir. 1975), and *United States v. Gallant*, 570 F. Supp. 303 (S.D.N.Y. 1983). While the scheme to defraud here differs somewhat from the typical mail fraud case, prosecutions on this theory have been upheld by the courts of appeals, there is no conflict among the circuits, and the issue does not warrant review by this Court.

The essential elements of the mail fraud offense are "(1) a scheme to defraud, and (2) the mailing of a letter, etc., for the purpose of executing the scheme." *Pereira v. United States*, 347 U.S. 1, 8 (1954). As the Fourth Circuit observed in *Brewer*, "[t]he statute

correctly noted (Pet. App. A10-A11) that *Sony Corp.* deals with the narrow question whether noncommercial home videotaping constitutes "fair use" and is thus inapposite to any question presented by this case.

Petitioner claims also (Pet. 17-18) that the decision below conflicts with *United States v. Carman*, 577 F.2d 556 (9th Cir. 1978). However, petitioner's description of *Carman* makes clear that it did not raise the same issue as this case. In any event, even if there were an intra-circuit conflict, it would not warrant review by this Court. See *Wisniewski v. United States*, 353 U.S. 901, 902 (1957).

<sup>10</sup> 17 U.S.C. 115 requires any person who wishes to obtain a license to make and distribute phonorecords or copyrighted musical works to notify the copyright owner of his intention to distribute.

does not define a scheme to defraud, and it contains no restrictive language excluding any type of fraudulent conduct in which use of the mails plays an essential role. On the contrary, the plain language of the statute condemns any scheme to defraud in which the mails are employed \* \* \*. It leaves 'the matter of what conduct may constitute such a scheme for determination under other laws.' " 528 F.2d at 494-495 (quoting *Parr v. United States*, 363 U.S. 370 (1960)). Accord, e.g., *United States v. DeFiore*, 720 F.2d 757, 761-762 (2d Cir. 1983), cert. denied, No. 83-5847 (Mar. 26, 1984). Petitioner offers no persuasive reason why breach of an explicit statutory duty to disclose may not form the basis for a scheme to defraud within the meaning of Section 1341.<sup>11</sup>

The court of appeals' holding in this case is clearly consistent with the Fourth Circuit's decision in *Brewer*. The defendant in *Brewer* made mail order sales of cigarettes from North Carolina to Florida. In doing so, she violated the Jenkins Act, 15 U.S.C. 376, by failing to register with Florida officials as a cigarette seller and by failing to furnish copies of certain invoices. 528 F.2d at 495. The *Brewer* court concluded that the defendant's breach of explicit statutory duties under the Jenkins Act was sufficient to form the basis of a scheme to defraud.<sup>12</sup> At least four

<sup>11</sup> We note that petitioner also engaged in other deceptive practices, including use of fictitious labels designed to make the bootleg phonorecords appear legitimate.

<sup>12</sup> Petitioner errs in suggesting (Pet. 22-23) that the *Brewer* result is distinguishable because the court in that case relied on the Jenkins Act violation only in connection with the issue of intent. The *Brewer* court agreed with the defendant's contention that use of the mails for the interstate sale of cigarettes is itself innocent, but held that such mailing be-

other courts of appeals also have sustained fraud prosecutions in the face of claims that a mail or wire fraud scheme could not be premised on the breach of a duty to pay state taxes. See *United States v. DeFiore*, 720 F.2d at 761-762; *United States v. Melvin*, 544 F.2d 767, 773-775 (5th Cir.), cert. denied, 430 U.S. 910 (1977); *United States v. Mirabile*, 503 F.2d 1065 (8th Cir. 1974), cert. denied, 420 U.S. 973 (1975); *United States v. Flaxman*, 495 F.2d 344, 348-349 (7th Cir.), cert. denied, 419 U.S. 1031 (1974). The holdings of those courts that breach of an explicit statutory duty may form the basis for a fraud prosecution fully supports the court of appeals' conclusion that petitioner's violation of the duty imposed by 17 U.S.C. 115 to notify copyright holders formed the basis for a scheme to defraud in violation of Section 1341.<sup>13</sup>

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comes fraudulent when the seller has an intent to do business in a way that allows his customers to escape taxes. 528 F.2d at 496. Because *Brewer* was aware of the Jenkins Act, and because the success of her scheme depended on her underselling competitors whose price included the Florida tax, the court held that *Brewer's* presumptively innocent mailing of cigarettes in fact formed part of a scheme to defraud. In this case, petitioner's manufacture and distribution of bootleg records similarly formed part of a fraudulent scheme because of his knowing failure to notify copyright owners, as required by statute, thereby avoiding for himself and his customers the payment of royalties.

<sup>13</sup> *United States v. Gallant*, *supra*, is not to the contrary. The court in that case rejected the government's argument that a record distributor violated the mail fraud statute by distributing bootleg records. The government had conceded, however, that as a distributor (rather than a manufacturer) the defendant in *Gallant* was not bound by an explicit statutory duty under 17 U.S.C. 115, but only by a duty implicit in the structure of the Copyright Act. Moreover, the court in

# CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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DECEMBER 1984

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*Gallant* expressed reluctance about relying on cases like *Brewer* because the Second Circuit had not done so at that time. 570 F. Supp. at 308. Since *Gallant* was decided, the Second Circuit has endorsed the reasoning of *Brewer* and similar cases. See *United States v. DeFiore*, 720 F.2d at 761.